

Housing Affordability Indicators Northern British Columbia 2017

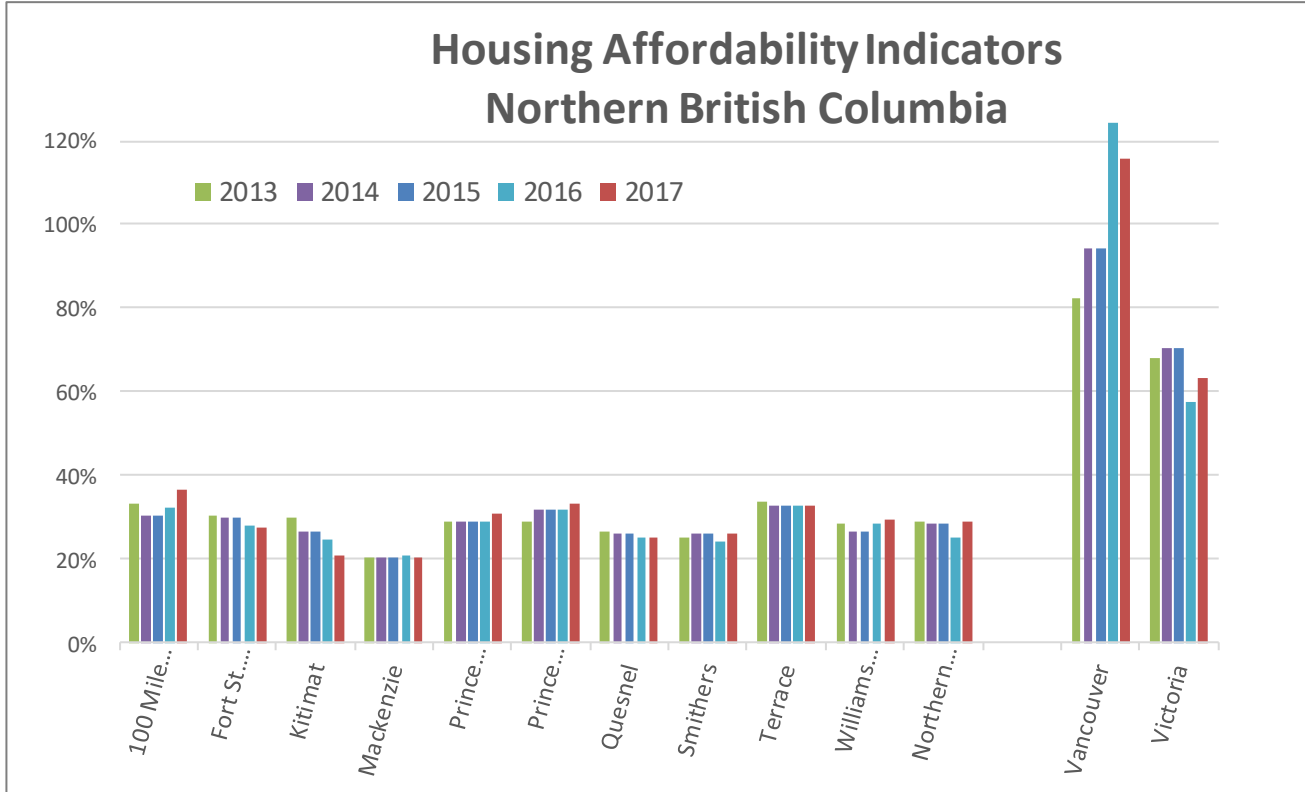


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Housing Affordability Indicators



2017 Indicators — % of household income to finance home ownership

100 Mile House 36.33%	Fort St. John 27.41%	Kitimat 20.63%	Mackenzie 20.13%	Prince George 30.88%
Prince Rupert 33.05%	Quesnel 25.19%	Smithers 26.17%	Terrace 32.66%	Williams Lake 29.47%

Notes:

- Northern BC is comprised of the: Cariboo, Bulkley Nechako, Fraser Fort George, Skeena Queen Charlotte, Kitimat Stikine, Peace River and Northern Rockies Regional Districts
- Detached bungalow measures for Vancouver and British Columbia are an average of the quarterly Housing Affordability Measure from RBC Economic Research.

Housing Affordability Indicators

Introduction

The BC Northern Real Estate Board (BCNREB) Housing Affordability Indicators estimate the proportion of median household income required to cover mortgage costs, municipal taxes and fees, and utilities for the average single family home. The higher the measure, the more difficult it is to afford a home. For example, an affordability measure of 50% means that home ownership costs, including mortgage payments, utilities, and property taxes take up 50% of a typical household's pre-tax income.

This edition of the Housing Affordability Indicators for northern British Columbia is based on a refreshed data-set that updates baseline variables to 2010. The revised indicators correct for errors that can develop over long periods of extrapolating baseline data. The Housing Affordability Indicators in this edition tend to reflect better affordability across communities in Northern British Columbia than previous information.

Home ownership in northern British Columbia remains exceptionally affordable, especially when compared with Vancouver. Historically, the largest contributor to affordability has been house prices, and this trend continues for 2017. The average price of a single family home sold in Northern British Columbia in 2017 was about \$290,000. Q3 2016 statistics list average Vancouver single detached house prices at over \$1,500,000. In 2017, The Housing Affordability Indicator for Northern British Columbia was 28.9% compared to 115.7% for Vancouver.

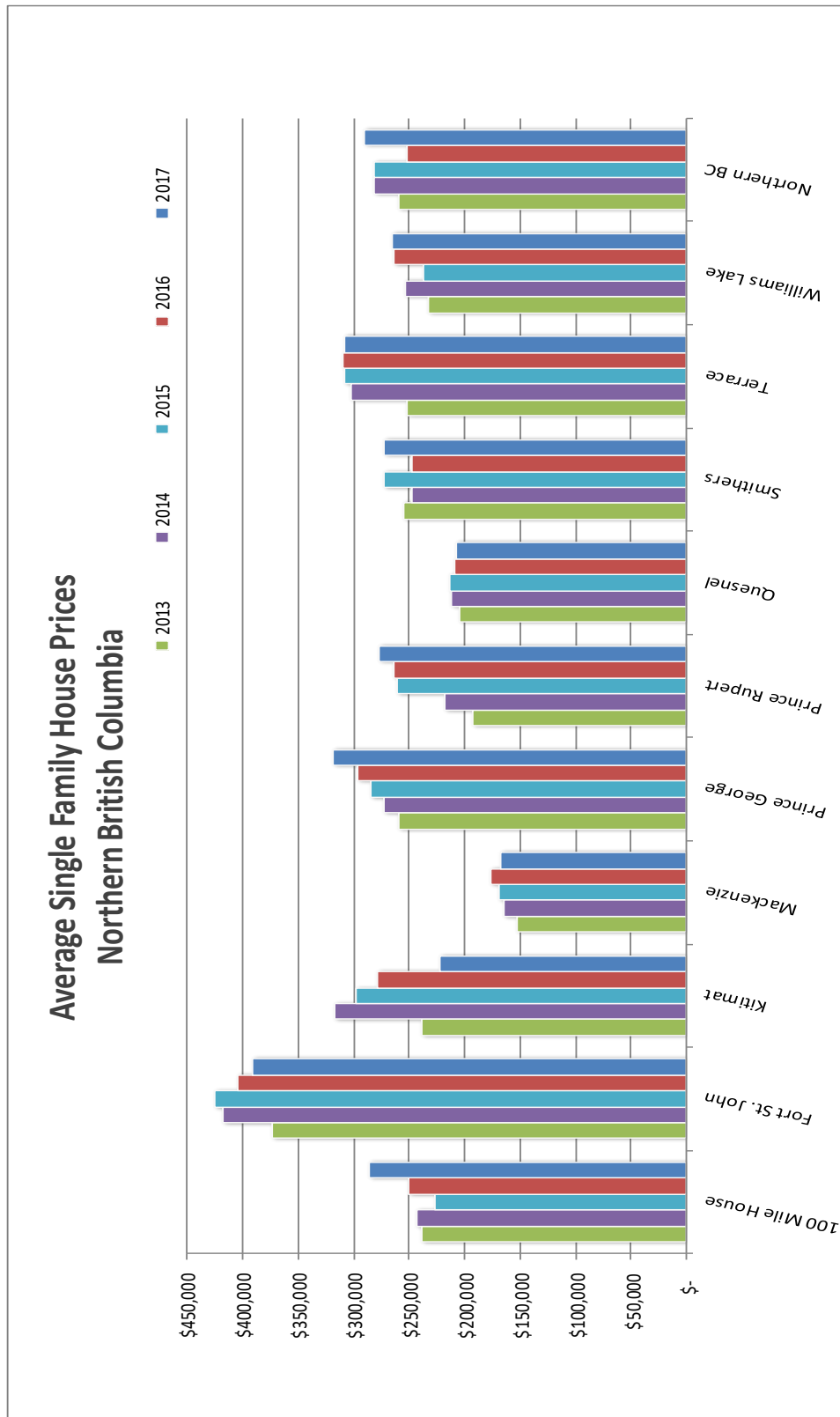
Variable price growth

Price growth in 2017 varied widely from community to community. Average house prices in 100 Mile House and Smithers increased significantly. Once again, the highest average house prices in Northern British Columbia are found in Fort St. John, although prices continued a recent downward trend.

Affordability

Changes in affordability also varied across the region. Kitimat, Mackenzie, and Fort St John saw affordability improve by 16.7%, 3.0%, and 2.7%, respectively. Prince George, Prince Rupert, Smithers, and Williams Lake saw affordability worsen by 4-10%. In 100 Mile House, affordability worsened by 12.4%. In most cases, worsening affordability can be attributed to increases in average house prices. The most affordable community in Northern British Columbia remains Mackenzie, where homeowners require only 20.1% of their annual income to cover the costs of housing.

Housing Affordability Indicators



Housing Affordability Indicators

Methodology

The methodology for constructing the Housing Affordability Indicators for northern BC is based on the construction of the RBC Housing Affordability Measures. The northern BC Indicators provide a measure of the relative costs of home ownership by calculating the proportion of median household income required to service the cost of local taxes and user fees, utilities and mortgage payments for the average-priced detached single family home on a lot of one acre or less.

Median Household Income

Benchmark data for median household income are drawn from the 2011 National Household Survey (NHS) which provides income information for the year 2010 by community and region. Median income for the District of 100 Mile House is not reported in publicly available NHS data tables. Median income for the District of 100 Mile House was obtained from a community profile on the Trade and Invest BC website. Median income for northern BC is a weighted average of communities in the region. Median household income is adjusted by the growth rate for average weekly earnings for British Columbia to estimate income in years following the 2010 benchmark year. Average weekly earnings are obtained from CANSIM tables on the Statistics Canada website.

Utility Costs

Benchmark data are drawn from the 2010 Survey of Household Spending for British Columbia. There is no regional breakdown of utility costs, which include water, electricity and other fuel costs. Estimates beyond 2010 are obtained by using growth rates for the CPI component covering water, fuel and electricity. An estimate for the growth in the Consumer Price Index for British Columbia excluding Vancouver and Victoria is calculated based on an arithmetic average for the CPI component for BC, Vancouver and Victoria. Data for these component CPIs are obtained through CANSIM from Statistics Canada.

Community Selection

Communities with an average of at least 60 sales per year over the period 2013 through 2017 are selected for inclusion in the report.

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Municipal Taxes and User Fees

Data for municipal taxes and user fees are obtained from the Ministry of Community, Sport and Cultural Development Local Government Statistics. An estimate of municipal taxes is calculated by applying the residential tax rate to the average sale price for the region. Tax rates for northern BC are calculated as weighted averages based on total sales. Tax estimates do not account for the Home Owner Grant available in British Columbia. Representative user fees are drawn directly from the data. User fees for the northern BC composite are based on a weighted average of house sales.

Other Costs

Other costs that may be incurred in the purchase of a home, but are not included in the indicators, include:

Lawyer or Notary Fees & Expenses

- searching title
- investigating title
- drafting documents

Land Title Registration fees

Survey Certificate and/or Title Insurance

Costs of Mortgage, including:

- mortgage company's Lawyer/Notary
- appraisal, if applicable

Home/Property Inspection

Fire Insurance Premium

Sales Tax (if applicable)

Property Transfer Tax

General Sales Tax

Well test

Septic test

House Prices

Average house prices for each region are derived from the BCNREB MLS® database system. The representative house is defined as a detached single family dwelling on a lot size of 1 acre or less.

Mortgage Costs

Mortgage costs are based on the average house price, with 25% down and amortization over 25 years at a 5 year fixed mortgage rate. The mortgage rate is based on Bank of Canada monthly data for a 5-year conventional mortgage.

Housing Affordability Indicators

About the BC Northern Real Estate Board

The 390 members of BCNREB live and work in the area shown on the map on the cover page of this document.

The BCNREB is a non-profit society that serves its members and promotes the highest standards of professionalism. The members are licensed to sell real estate in BC, and when accepted to membership, become REALTORS®. This trademark indicates that the individual has pledged to abide by the REALTOR® Code of Ethics.

About the Author

Rory Conroy, a long-time resident of Prince George, currently resides in Vancouver. He graduated from the University of Northern British Columbia with a Commerce degree in 2002.

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Leslie Lax, BA, MA(Econ), developed the methodology for the Housing Affordability Index.

The Housing Affordability Indicators for Northern BC are based on the methodology used to construct the RBC Housing Affordability Measures. The valuable assistance received from staff at RBC Economic Research in developing the regional indices for British Columbia is gratefully acknowledged. Any errors, however, remain the responsibility of the author.

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